

1 DR. GERSTEIN: Thank you. And, again, I appreciate the  
2 opportunity. Again, thank you to the Commission members, to the  
3 Chair for this opportunity to present some of the material that  
4 we have included in our report subsequent to the previous  
5 meeting. CASINO GAMBLING, PARI-MUTUEL GAMBLING, AND SOCIAL AND  
6 ECONOMIC IMPACTS.

7 DR. GERSTEIN: As you know, the last meeting we really  
8 went pretty comprehensively through the contents of the report.  
9 And I don't intend to try and rehash that, particularly because  
10 the time is short, and we have been asked to focus on a few  
11 dimensions on the report in particular.

12 I did bring a few slides. And I can project these on  
13 the overhead, although they're not particularly critical.  
14 Indeed, maybe I should just run through most of my talk without  
15 them.

16 CHAIRPERSON JAMES: The slides may be helpful, but  
17 would you like someone to put them up for you?

18 DR. GERSTEIN: The first thing I'd just like to do is  
19 indicate that we have completed work with a substantial crew of  
20 people. And I have listed them again just as an acknowledgement  
21 of the extent of dedication that people have shown in this  
22 project over the course of time.

23 I particularly want to point to Henrick Harwood, my  
24 colleague with whom I worked a number of years ago at the  
25 National Research Council. Rick subsequently was in the Office  
26 for National Drug Control Policy, with which I think the Chair is  
27 a little bit familiar, and has been at The Lewin Group for

1 six-seven years, eight years now. He is an economist and is  
2 largely responsible for the development of the economic analysis  
3 in Chapter 3 of the report.

4 The things that we have been asked to address today,  
5 namely the gambling casinos and horse race, horse tracks, in  
6 particular, are addressed to a couple of points in the reports,  
7 although we have tried throughout to focus on the individuals who  
8 gamble, making the venues somewhat secondary to the problem of  
9 pathological gambling.

10 Nonetheless, it is very clear that if you look at the  
11 changes over time since the last report, which I have vacillated  
12 between calling the time of the previous national survey, 1974  
13 and 1975 simply because the survey took place in 1975 but when  
14 asking people about the past year, which is an important point  
15 for gambling participation, it always referred them to calendar  
16 1974.

17 What we see in comparing these two points in time are  
18 some pretty substantial differences. The first and major  
19 difference is simply that the experience of gambling has become  
20 much more widespread in the population, as represented by the  
21 fact that one out of three of the people who were interviewed and  
22 represented in the previous survey said they had never gambled in  
23 their lifetime and that number has dropped to one out of seven.  
24 That's a pretty substantial change in a behavior over this span  
25 of time.

26 And, secondly, perhaps as indicative is that when you  
27 look at the extent of spending as a percentage of personal

1 income, -- and this is a figure that is presented particularly in  
2 Eugene Christensen's and Will Cummings' and Sebastian Sinclair's  
3 work -- that percentage has increased by about two and a half  
4 times in this period as a percentage of income, which, of course,  
5 has also itself changed and increased to some extent; and,  
6 whereas, in the 1974 era, the total amount that people spent  
7 gambling -- now, this I should stipulate is on legal wagering.  
8 And there is a whole other conversation about illegal wagering,  
9 which, by and large, the experts, such as Eugene Christensen,  
10 view as a small part of the overall picture, a declining part.

11 But legal wagering has basically increased from .3  
12 percent to .75 percent of personal income in this period. That's  
13 a jump of two and a half. And it's an indication that  
14 population-wide, just as fewer people are not gambling, those who  
15 are gambling are also spending more of their money on gambling  
16 activities.

17 There is a substantial change over time, however, in  
18 the nature of gambling, in addition to these changes in  
19 participation and the amount spent. And that's represented by  
20 the fact that both lotteries and casinos have become more the  
21 standard and the norm.

22 Would you put up that next picture? It really  
23 illustrates this point most effectively. The blue lines on this  
24 chart; that is, the blue bars, representing 1975, if you look at  
25 that distribution, it's clear that, even in 1975, when there were  
26 fewer lottery states but still 13, as I remember, lottery was  
27 clearly the most prominent form of gambling. But second to that

1 was bingo; third, horse-racing; and casinos, fourth, when we look  
2 at people saying what kind of gambling they had engaged in in  
3 the past year.

4 And the picture has really changed dramatically.  
5 Looking at the purple lines, lottery play is, of course, a far  
6 more substantial part of the population's behavior now. It's  
7 basically doubled in terms of past year participation.

8 Casino play has also doubled; whereas, bingo and  
9 horse-racing -- and I should note that in the report of the 1975  
10 survey, horse-racing was referred to as the American pastime as  
11 far as gambling is concerned. Clearly that pastime has not been  
12 sustained relative to these other forms of gambling over the  
13 course of the past 25 years.

14 The final point is that when we look at these numbers,  
15 we find that the reduction in pari-mutuel betting has brought its  
16 participation rate in the population down to about 18 percent.  
17 That is, one in 12 people bet off track or on track. And that's  
18 as compared to about one-fourth of people who have gone to a  
19 casino and about half of the people bought a lottery ticket in  
20 the past year. And, as I said, this really represents a  
21 substantial change over time in the position of the racing  
22 industry and its relationship to gambling.

23 I'd like to rehearse again, as you're familiar, as the  
24 Commission members are familiar, with from the report, the  
25 typology of lifetime gambling behavior.

26 As you know, we had previously simply identified these  
27 different categories. We have not changed what the definitions

1 are. We have simply given them labels that correspond to the  
2 kind of language people use to define these behaviors, what had  
3 previously been called Type A, what it meant before, and what it  
4 means now as someone who is not a gambler, somebody who has not  
5 gambled in their lifetime.

6 We refer to a low-risk gambler; that is, people who  
7 either had never lost an appreciable sum of money or who had done  
8 so but in reviewing the series of questions on the DSM-IV-based  
9 gambling screen didn't subscribe to or affirm a single problem in  
10 their lifetime. And we refer to these as a low-risk group.

11 Obviously some of them are at lower risk than others.  
12 Someone who has only been gambling for a year or two and has no  
13 problems, has sort of not quite the track record of gambling  
14 without problems as someone who has been gambling for 30 or 40  
15 years and affirms no problems.

16 Nonetheless, in epidemiologic terms, this looks like a  
17 low-risk group; that it is engaging in a behavior and doesn't  
18 report that the behavior is yielding problems.

19 Type C, which is a group that in DSM-IV comes at us  
20 with one or two problems. We refer to this as an at-risk group.  
21 Again, this is sort of a standard epidemiologic term when you  
22 refer to a risk group, one in which you think there is an  
23 appreciable difference between a group where there is very little  
24 likelihood, at least in the immediate term, of seeing the problem  
25 of reference arise and one in which there is some track record.

26 And so there is some sense that a little more attention  
27 ought to be paid to people who fall into this group, that it does

1 represent a category that's a little different from the other.  
2 And in general terms, as we'll see in a moment, this is a much  
3 smaller group than the low risk and a somewhat larger group than  
4 the others we have identified.

5 This group has had various terms in different  
6 nosologies. And I think it's called a transitional group. In  
7 some people's language, there's really no fixed label to be used.  
8 The one we use here is the most general term that epidemiologists  
9 use for categories like this.

10 The term that's the problem in "pathological gambler"  
11 we have assigned here, there's really little controversy in a  
12 sense about the term "pathological gambler" because it's an exact  
13 transcription from the DSM-IV criteria. It is the term that is  
14 widely used clinically, and it is the category in which most of  
15 our evidence indicates high rates of all of the sorts of problems  
16 that clinically are identified with pathological gambler.

17 As you know, the term "problem gambler" is used a lot.  
18 And it's a term that doesn't have quite the extent of agreement  
19 about how it should be defined. We restricted that term here to  
20 individuals who show three or four lifetime DSM-IV criteria. I'd  
21 make the point because it's been made to us a number of times by  
22 the people who are instrumental in development of those criteria  
23 that they felt that the category of individuals who report for a  
24 lifetime DSM-IV criteria are really indistinguishable from  
25 pathological gamblers.

26 So in some sense, this is kind of a shading between  
27 those who clearly are in the kind of trouble that people go to to

1 require clinical treatment for or at least that most people who  
2 go to clinical treatment belong in and those who are at a  
3 somewhat lower level. I am not sure what else it makes sense to  
4 call it.

5 But since the term "problem gambler" again is widely  
6 used in the literature and has been used by other researchers  
7 specifically to this point; that is, to identify people with  
8 three or four criteria, we use this term here as well.

9 We can go on to the next one as well. This is the  
10 distribution of these categories. And, as the Commission asked  
11 us to do previously, as you know from the beginning of the  
12 discussion about the patron survey, I've pretty much maintained  
13 that the purpose of it was as a supplement to the telephone  
14 survey.

15 And in that sense, finding the way in which it made the  
16 most sense from a statistical point of view, to combine the two  
17 is what we finally achieved here. It's that combinatorial  
18 approach as defined in the report.

19 And I'm certainly happy to discuss that further,  
20 although I should note that the statistician most responsible for  
21 it, with whom I did work very closely, happens to be on his  
22 vacation at this point. So we do have a clear record, and I do  
23 know what he did.

24 The combined group, of course, yields a larger number  
25 of individuals in both the problem and pathological categories.  
26 And that was kind of the principal point, to be able to kick the

1 numbers of people up so that we could analyze them a little more  
2 effectively.

3           What we found when we made that combination, the  
4 non-gambler group was not affected because, of course, the patron  
5 survey had virtually no non-gamblers in it, to begin with, being  
6 collected at places where people go, largely for the purpose of  
7 gambling. There were three. And that's testimony to the fact  
8 that when we sample people, it was not at gaming tables or  
9 equivalent but as they walked past. And some people were simply  
10 there with others and themselves gambling in the past year.

11           We do get that one in seven as, therefore, the  
12 continued portion of non-gamblers. The low-risk group is  
13 virtually the same after this adjustment, which is not  
14 surprising. That is, about three-fourths of the population are  
15 low-risk gamblers by the definitions that we have used and the  
16 instrumentation that we have used.

17           The at-risk group is about the same size. That is,  
18 it's not statistically distinguishable. It is a little bit  
19 smaller when you look at the bare number. It still runs about  
20 7.7 percent.

21           And I've translated these. I couldn't quite get these  
22 to fit in the table. So I simply put them at the bottom. You  
23 translate these into numbers. The 14.4 percent translates to 29  
24 million non-gamblers, 148 million low-risk gamblers, and about  
25 one-tenth that number. Now it says an at-risk group. And,  
26 specifically, we mean at-risk with problem gambling.



1           Obviously if you look at these ratios that exist, which  
2 is one of transition and possibly transition out of as well as  
3 possibly transition into, it's a little difficult to know because  
4 the group is quite heterogeneous.

5           That group of 12 million is substantially larger than  
6 the 3 million or so who fall into that problem gambling category,  
7 which is one and a half percent of the adult population.

8           The 1.2 percent who in the combined survey are  
9 estimated to be pathological gamblers, I just note that that 1.2  
10 percent is a higher figure by a just barely statistically  
11 significant amount than what the telephone survey alone yielded.

12           And I continue to believe that the combined estimate is  
13 the best one. It was, I repeat, the point of doing the patron  
14 survey to enable us to bring these numbers up so that we had  
15 enough individuals that we could feel more confident about the  
16 reliability of the statistics.

17           So those numbers are what we feel is the best estimate.  
18 They are not dissimilar to numbers that people in other surveys,  
19 obviously not at a national level but at a state level, have come  
20 up with when they abrogate across and try and extrapolate to the  
21 national estimate.

22           The other place in the report -- and here I just want  
23 to point to a couple of points that are pertinent to the  
24 questions that we've been asked to look on today, and that has to  
25 do with racetracks and casinos.

26           In looking at our community case studies, we did find  
27 pretty clear evidence in many of these that there was outright

1 competition between for the gambler dollar, between racetracks  
2 and casinos. And this is specifically in the testimony that when  
3 casinos opened in proximity, racetracks had a tough time  
4 maintaining their business operation. And in that sense, we're  
5 not just looking at disparate phenomena. We do appear to be  
6 looking at populations that are making choices.

7           The other points on this slide are all ones that we  
8 discussed last time having to do with the impact of casinos on  
9 local areas. And these are all points that correspond in the  
10 community studies to the statistical results to the extent that  
11 the statistics and the community studies were able to speak to  
12 the same issues.

13           This is just a reminder of how the community case  
14 studies were carried out. And we can go on to the next one.

15           In the statistical database, we analyzed the effect of  
16 community opening. And, as you may recall, what we found is that  
17 the indicators of bankruptcies, which were derived directly from  
18 data out of the Administrative Office of the United States  
19 Courts, where bankruptcies are filed, the several health  
20 indicators that were useable and rates of violent crime, as these  
21 are measured, that's what we think of as, of course, predatory or  
22 street crimes were not changed.

23           We could not analyze simply because the national  
24 statistical data collection system for nonviolent crimes. That  
25 is principally what we think of as white collar crimes,  
26 embezzlement, fraud. These rates are simply not in a condition

1 that one can do this kind of comparison without a substantially  
2 greater investment in working with these sites to get the data.

3           The FBI uniform crimes report focuses on violent crime.  
4 It's a voluntary reporting system. And it's very well-ascribed  
5 to on that level. I think that's nearly the end of this set of  
6 pieces. Again, this is the methods one might share, again, I've  
7 described previously.

8           At this point, I'd like to turn over the discussion to  
9 my colleague, Rick Harwood. We have analyzed the data from the  
10 survey and this report from the combined survey, although I  
11 believe we used the combined survey the last time but this time  
12 were able to use the data fully weighted. And I'd ask Rick to  
13 describe the results for you.